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FINANCE FACTS

A Monthly Publication on Consumer Financial Behavior

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MAY 1981

CONSUMER INSTALLMENT CREDIT

Total consumer installment credit at end February 1981 was $309.2 billion. Of this amount $115.7 billion was outstanding in automobile credit, $57.6 billion in revolving credit, $17.2 billion in mobile home credit and $118.8 billion in all other credit (consisting of other consumer goods and personal loans).

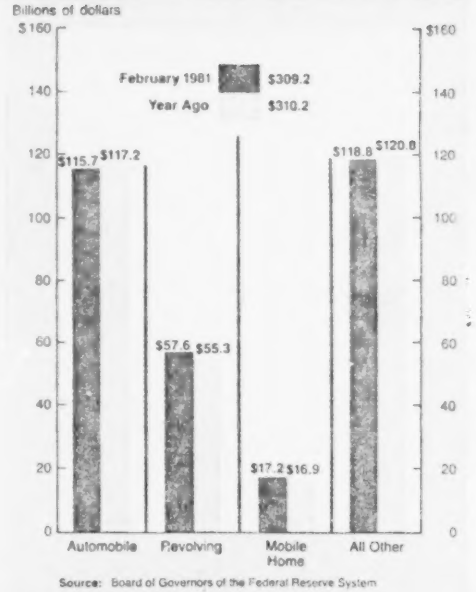
During February 1981, total installment credit outstanding decreased by $1.4 billion — automobile credit increased $0.4 billion. Revolving credit was down $1.4 billion, as were mobile home credit ($0.1 billion) and all other credit ($0.3 billion).

Net change over month by institution was decrease of $1.7 billion for commercial banks. Finance company outstandings increased just under $1.0 billion, made up mostly of automobile credit. Credit at retailers declined $1.0 billion. Credit unions increased $0.2 billion, savings and loans were up $0.2 billion.

Net decrease in installment credit outstanding since end of February 1980 amounted to of $1.0 billion. Revolving credit increased $2.3 billion, mobile home credit $0.3 billion. Automobile credit declined $1.5 billion, all other credit down $2.1 billion.

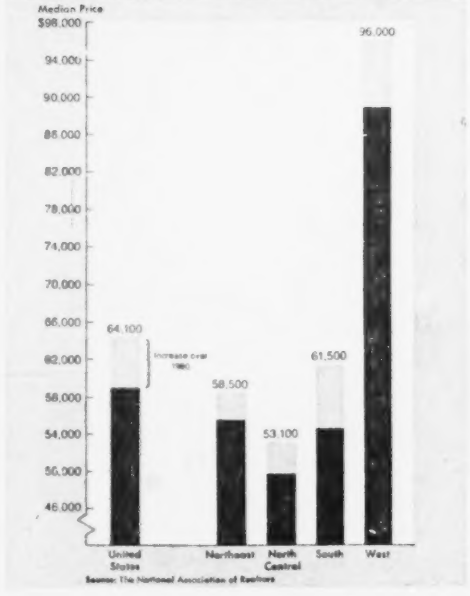
Over the year finance company increase was $8.5 billion, retailers $1.1 billion, savings and loans $1.6 billion, gasoline companies $1.1 billion and mutual savings banks $0.2 billion. Commercial bank outstandings decreased $11.3 billion and credit unions $2.2 billion.

Consumer Installment Credit Outstanding



Source: Board of Governors of the Federal Reserve System
Note: Parts may not add to totals due to rounding

Median Sales Price of Existing Single Family Homes For the United States and each Region, February 1981



Source: The National Association of Realtors

EXISTING HOME SALES

Steep decline in home sales came to a halt in February. However, sales of existing single-family homes were still at depressed level. February resales were at seasonally adjusted annual rate of 2,560,000 units, just below rate reported for January and 22% below sales level of five months ago.

In February, median sales price of an existing single-family home dipped $400 to $64,100. Overall, home prices in February were 8.6% higher than same month year ago when median priced home sold for $59,000.

Increase in home prices during year was not enough to offset decrease in unit sales, causing volume of activity to slide from $237.6 billion in 1979 to $209.7 billion in 1980 — drop of 11.7%. Between 1974 and 1979 sales advanced from $81.3 billion to $237.6 billion — threefold gain over five year period.

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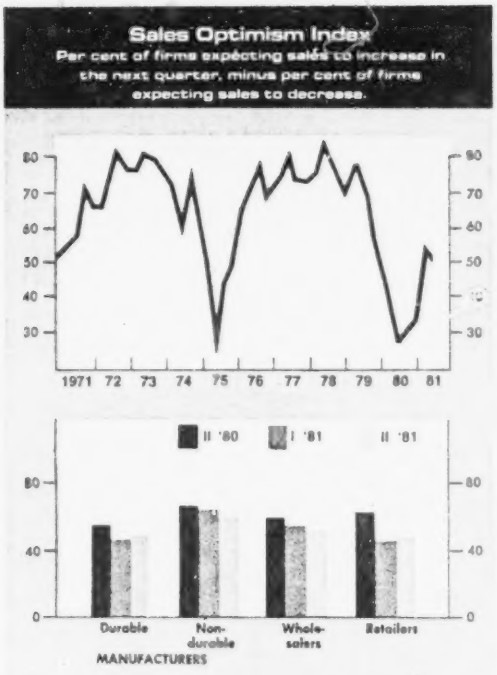
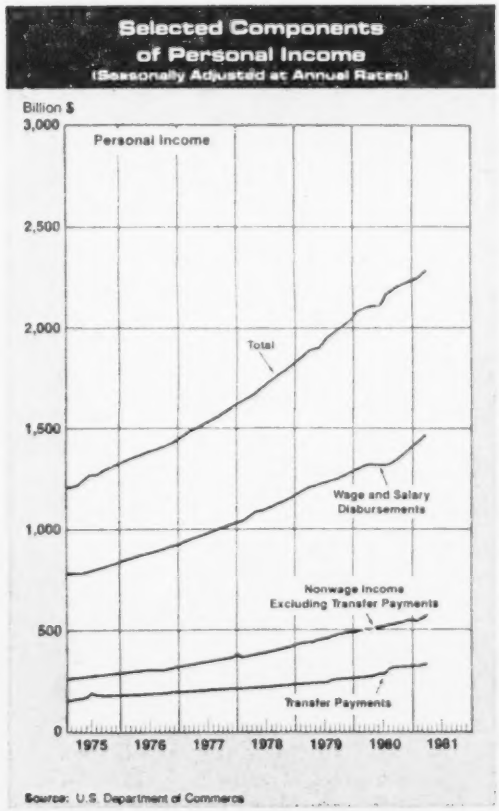


Source: Business Economics Department, Dun & Bradstreet, Inc.



Source: U.S. Department of Commerce

BUSINESSMEN'S EXPECTATIONS

Business optimism lost some momentum in Dun & Bradstreet's latest survey of expectations of 1,393 executives. Confidence about sales and profits for second quarter 1981 dipped slightly, it remained above low prevailing in latter half of 1980. Shift in outlook appears to reflect that economy currently is fluctuating in a narrow range, neither strong nor weak.

Sales Optimism Index (percentage expecting increases minus percentage expecting decreases) eased to 51 for second quarter from 55 registered in first quarter. Still short of reading of 61 in second quarter 1980, index was lowest for any second quarter since 1975. Most of slump in confidence on sales prospects was concentrated among manufacturers of non-durable goods. Durable goods makers and retailers shifted to slightly better views.. Profits Optimism Index changed very little, off 2 points to 38 from 40.

PLANS IN CAPITAL SPENDING

U.S. nonfarm business plans to increase spending for new plant and equipment 10.2% in 1981, to $325.7 billion (data not adjusted for price changes), according to a survey conducted by Commerce Department. Spending was $295.6 billion in 1980, 9.3% more than in 1979. Capital goods prices increased 9% in 1980, indicating little change in real investment.

MORTGAGE RATES

Conventional home mortgage commitment rates increased in early March, sixth advance in the last seven months according to The Federal Home Loan Bank Board. In early March, average effective commitment rate quoted by major lenders for conventional loans for purchase of newly built, single-family homes with 75% loan-to-price ratio and a 25-year term to maturity was 15.47%. Rates on actual loan transactions rose to a new high in early March. At 14.24%, average effective rate for conventional loans closed on single-family homes was seventh consecutive monthly advance. March average rate topped previous high of 14.01% reached last May.

PERSONAL INCOME

Personal income increased $17.7 billion in March to seasonally adjusted annual rate of $2,334.9 billion, according to U.S. Department of Commerce. In February, personal income increased $16.3 billion.

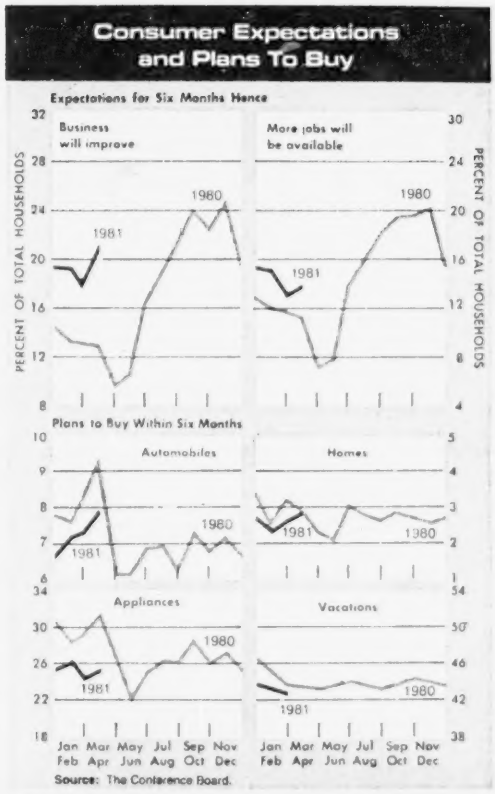
Wages and salaries and other labor income increased $11.9 billion in March. Nonfarm proprietors' income increased $0.8 billion in March, farm proprietors' income down $0.8 billion. Income from rent, dividends and interest increased $4.5 billion. Transfer payments increased $1.8 billion.

Personal outlays increased $13.0 billion in March, taxes up $3.7 billion. Saving increased $1.0 billion. Purchases of durable goods declined $3.2 billion. Purchases of nondurable goods declined $1.1 billion, purchases of services increased $16.9 billion.

CONSUMER CONFIDENCE

Consumer confidence scored impressive gain in March, The Conference Board reported. The Consumer Confidence Index (1969-1970=100) jumped to 71.3, up more than 10 points over February. The Buying Plans Index climbed to 98.2, up from 91.9 in February. Consumers have turned more optimistic about both future business and employment prospects. More than 21% expect business conditions to improve during next six months, up from less than 18% in February. Only 22% expect fewer jobs over next six months, down from about 28% in February.

Plans to buy automobiles moved to their highest level in a year. Some 7.9% of families plan to buy new or used car during next six months, up from 7.3% in February. Home-buying plans moved ahead to 2.9%, rise from 2.6% in February. Plans to buy major appliances reached 25.3%, up from 24.3% in March.



PRODUCER PRICE INDEXES

Producer Price Index for Finished Goods moved up 1.3% on seasonally adjusted basis from February to March, U.S. Department of Labor reported. March advance followed increases of 0.8% in February and 0.9% in January. Prices for intermediate materials climbed 1.1%, far more than in February but about same as in January. Crude material prices decreased 1.3%, third decline in last 4 months.

HELP-WANTED INDEX

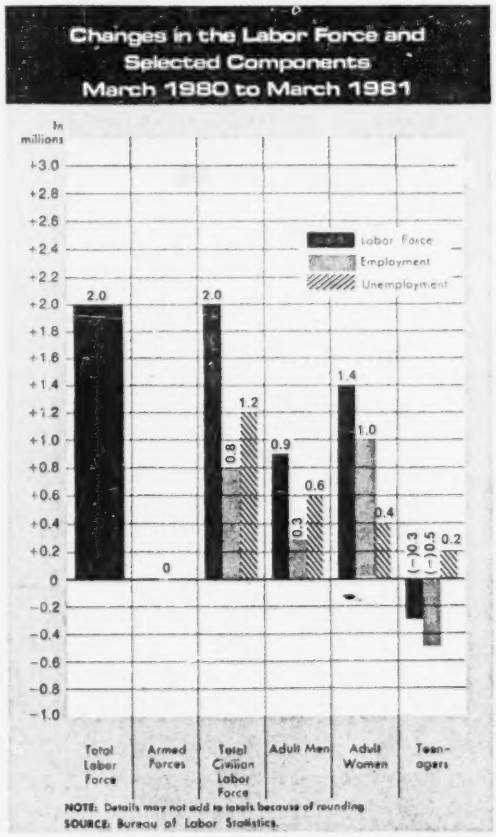
The Help-Wanted Advertising Index inched upward in February, The Conference Board reported. Seasonally-adjusted Index now sits at 129 (1967=100), one point above figure recorded in January. However, current reading is still 22 points below year-ago level of 151. Want-ad volume rose in six areas of the country and decreased in two. Greatest percentage gain of 5.5% was recorded by East North Central region, followed by Pacific's increase of 2.3%. Largest decline occurred in East South Central area, volume dropped by 4.5%. South Atlantic region remains unchanged.

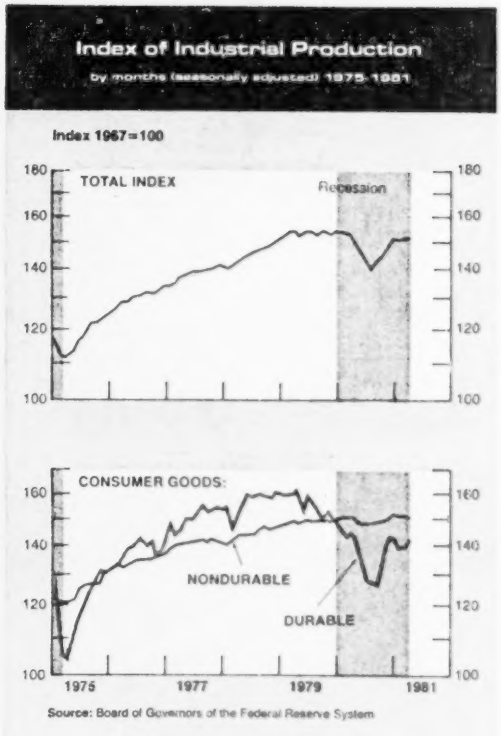
The Help-Wanted Index measures the volume of classified advertising in 51 major newspapers across the nation. It is sensitive to changes in demand for labor, as well as general business conditions.

EMPLOYMENT SITUATION

Unemployment was unchanged in March, U.S. Department of Labor reported. Nation's unemployment rate was 7.3%, same as it had been in February but down from 1980's high of 7.6%. The series on total employment showed an increase of nearly 500,000 in March to 98.4 million. Series on nonfarm payroll employment was unchanged over month at 91.6 million.

Unemployment rates for most major worker groups have been relatively stable for past several months. March rates were 7.1% for full-time workers, 5.9% for adult men, 6.6% for adult women, 19.1% for teenagers.





INDUSTRIAL PRODUCTION

Industrial production increased estimated 0.4% in March, following decline of similar magnitude in February, Federal Reserve reported. Most of March gain was due to increase in output of autos, trucks, and related parts; changes in other groupings were mixed. At 151.7% of 1967 average, March index was 8.0% above July 1980 low but slightly below year-earlier level. Industrial output in first quarter 1981 averaged 1.6% higher than in fourth quarter 1980.

Output of consumer goods increased 0.5% in March, reflecting 7.6% rise in automotive products. Autos were assembled at annual rate of 6.5 million units—about 12% more than February. Production of home goods edged up in March, output of consumer nondurable goods decreased slightly further.

BUSINESS CONFIDENCE

Nation's business leaders have turned cautious about both U.S. economy and their own prospects, The Conference Board reported. The Conference Board's Measure of Business Confidence declined to 58 (on scale of 0-100) in first quarter 1981, down from 63 in fourth quarter 1980. The Confidence Measure is based on the views of about 1500 chief executives across the U.S.

Score for top executives' appraisal of current economic conditions slid to 50 in first quarter 1981, down from 59 in fourth quarter 1980. Score of 50 is neutral rating, indicating that current conditions are roughly unchanged from six months ago. Expectations for economy six months ahead registered 63 in first quarter, down from 67 in fourth quarter, and expectations for executives' own industries dropped slightly from 63 to 61. Scores in 60s reflect average expectation that conditions six months from now will be somewhere between unchanged and "moderately better."

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JUNE 1981

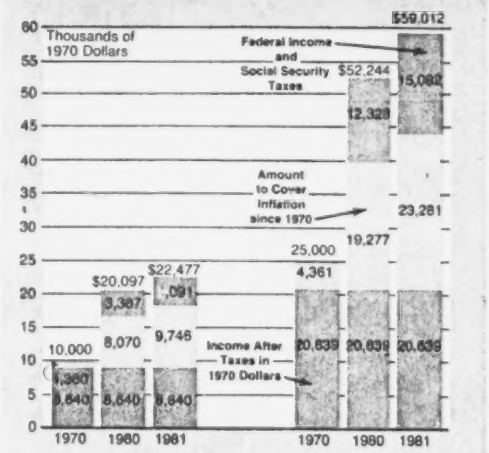
PURCHASING POWER

Family of four must earn over $22,000 today to maintain purchasing power of $10,000 in 1970, according to The Conference Board. Most of this required increase is due to inflation that has cut purchasing power by more than half since 1970. Although federal income taxes have been cut over decade, inflation of money income pushes middle-income family into higher effective tax rate, and social security taxes and limits have increased.

The $10,000 family in 1970 needed $20,097 in 1980 and will need $22,477 in 1981 to stay even. Of the $22,477, $9,746 of after-tax income is needed to cover inflation since 1970. Federal income and social security taxes will siphon off another $4,091 this year.

For the $25,000 family in 1970, income after taxes resulted in $20,639. The same family in 1981 would require $59,012 — $15,092 to pay Federal taxes and $23,281 to cover inflation — to have maintained constant purchasing power over the decade.

Pretax Income in 1980 and 1981 Necessary to Equal 1970 Purchasing Power



Source: The Conference Board.

HELP-WANTED INDEX

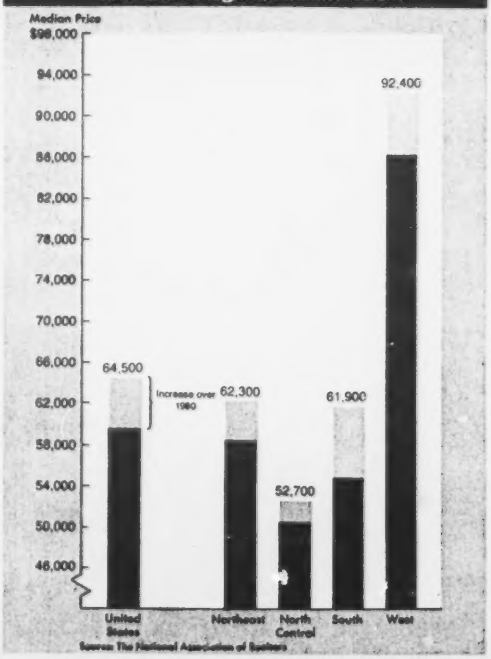
The Help-Wanted Advertising Index dropped three points in March, The Conference Board reported. Except for slight upturn in February, this Index, which is sensitive to changes in demand for labor, as well as general business conditions, has been declining steadily since November 1980. Seasonally-adjusted Index now stands at 126, down eight points from November's reading of 134 and 19 points below year-ago level. Want-ad volume declined in eight of nine areas of the country.

EXISTING HOME SALES

Sales of existing single-family homes declined for fourth consecutive month in March to reach seasonally adjusted annual rate of 2,520,000 units, according to National Association of Realtors. This is 37% below peak rate achieved in November 1978 and is just 170,000 units shy of cyclical low point reached less than year ago. Protracted housing recession was 28 months old in March making it not only steepest but also probably longest housing cycle (peak to recovery) since statistics have been gathered on resale market.

In March, median sales price of an existing home rose just $400 to $64,500. This increase was only enough to bring home prices back to where they were at beginning of year. Nationwide, home prices have risen 8.4% during last 12 months. Slower rate of price appreciation is evident in most areas of country. South is only region in which home prices are still rising at double-digit pace.

Median Sales Price of Existing Single Family Homes For the United States and each Region, March 1981



Source: The National Association of Realtors

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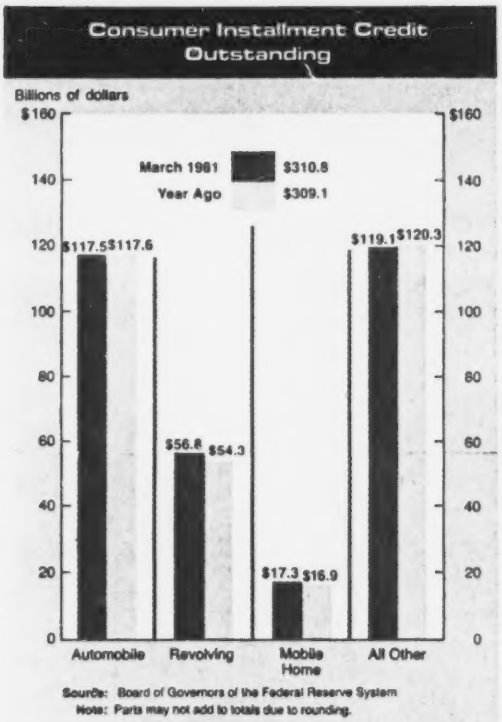


CONSUMER INSTALLMENT CREDIT

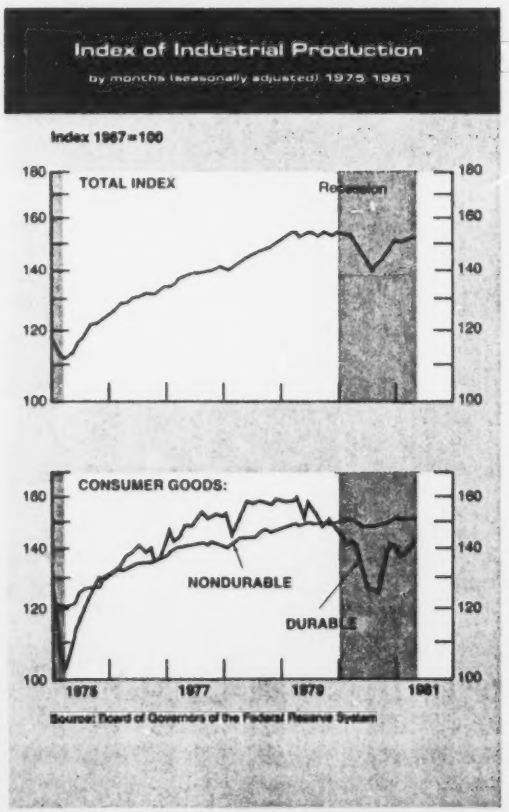
Total consumer installment credit at end March 1981 was $310.8 billion. Of this amount $117.5 billion was outstanding in automobile credit, $56.8 billion in revolving credit, $17.3 billion in mobile home credit and $119.1 billion in all other credit (consisting of other consumer goods and personal loans).

During March 1981, total installment credit outstanding increased by $1.6 billion — automobile credit increased $1.8 billion. Revolving credit was down $0.7 billion. Mobile home credit increased $0.4 billion and all other credit was up $0.1 billion.

Net change over month by institution was decrease of $0.1 billion for commercial banks. Finance company outstandings increased $1.4 billion, made up mostly of automobile credit. Credit at retailers declined $0.4 billion. Credit unions increased $0.4 billion, savings and loans were up $0.3 billion.

Net change in installment credit outstanding since end of March 1980 amounted to increase of $1.6 billion. Revolving credit increased $2.6 billion, mobile home credit $0.3 billion. Automobile credit declined $0.1 billion, all other credit down $1.1 billion.

Over the year finance company increase was $9.1 billion, retailers $1.5 billion, savings and loans $1.8 billion, gasoline companies $1.0 billion and mutual savings banks $0.2 billion. Commercial bank outstandings decreased $10.5 billion and credit unions $1.5 billion.



U.S. MOBILITY

During past five years, close to 82 million Americans changed place of residence within U.S. at least once, according to The Conference Board. Of families that move, three-fifths stay within same county, one-fifth leave the county but stay within same state, and one-fifth move to different state.

In 1980s, nations population is expected to increase by about 21 million. Of this number, 9.5 million will be accounted for by Southern states, 6.5 million in Western regions, and less than 4.5 million in Northern sections.

INDUSTRIAL PRODUCTION

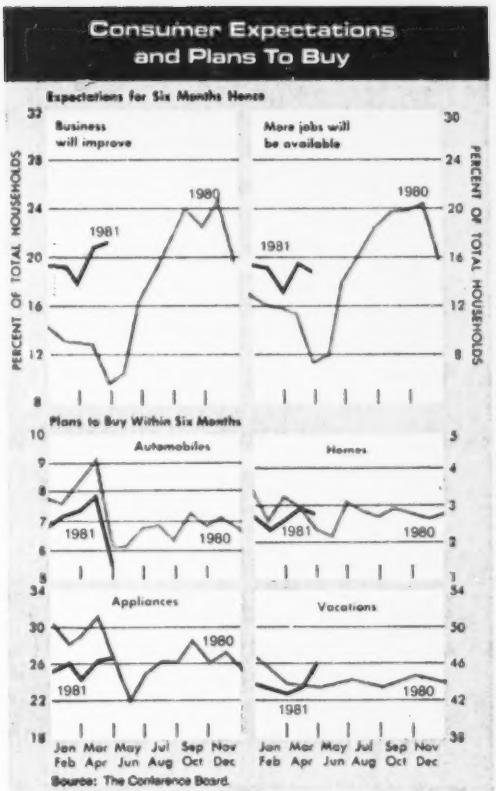
Industrial production increased an estimated 0.4% in April, following upward revised changes in February and March of −0.1% and 0.5%, respectively. In April, increases in output were widespread among most market groupings, but the coal strike reduced growth in total index by about 0.3 percentage point. At 152.8% of 1967 average, April index was 3.0% above year-earlier level and 0.5% below peak in March 1979.

Output of consumer goods rose 0.8% in April. Production of home goods edged off, but output of consumer nondurable goods advanced further. Production of business equipment increased sharply in both March and April. April rise in defense equipment also was large.

CONSUMER CONFIDENCE

Latest readings suggest the economy will pick up momentum in closing months of this year, The Conference Board reported. The Board's Consumer Confidence Index (1969-1970 = 100) moved ahead to 74.3 in April, up from 70.9 in March. The Buying Plans Index, however, came down to 83.2, compared with 98.7 in March.

Consumers continue to be disenchanted with current business conditions. Nearly 30% label current business conditions "bad"; only 14% call them "good." Some 37% complain that jobs are "hard to get," against 13% which find jobs "plentiful." Despite overall improvement in consumer confidence, buying plans sharply declined in April. Plans to buy new and used automobiles fell to 5.5%, down from 7.8% in March. Plans to buy homes edged off to 2.7% in April, compared with 2.9% in March. Plans to buy major appliances held about even at 26.4% vs. 26.2% in March. Nearly 46% plan a vacation, up from about 43% in February.



STATE PER CAPITA PERSONAL INCOME

State per capita personal income in 1980 ranged from $12,406 in Alaska and $11,445 in Connecticut to $6,508 in Mississippi, according to the U.S. Department of Commerce. The U.S. average was $9,458, compared with $8,706 in 1979. Most of the 11 states with per capita personal incomes at least 7%, or $650, above U.S. average were in urbanized northeastern and western parts of the nation. Most of the 19 states with per capita personal incomes at least 7% below U.S. average were in the Southeast and Rocky Mountain regions.

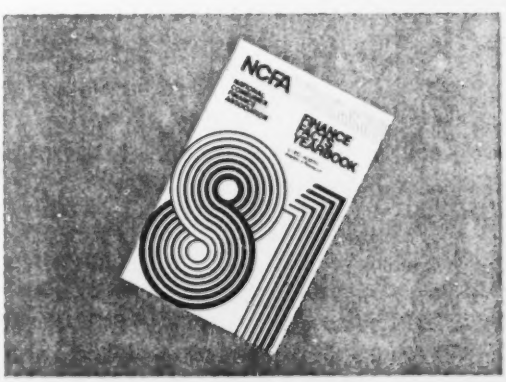
PRODUCER PRICE INDEXES

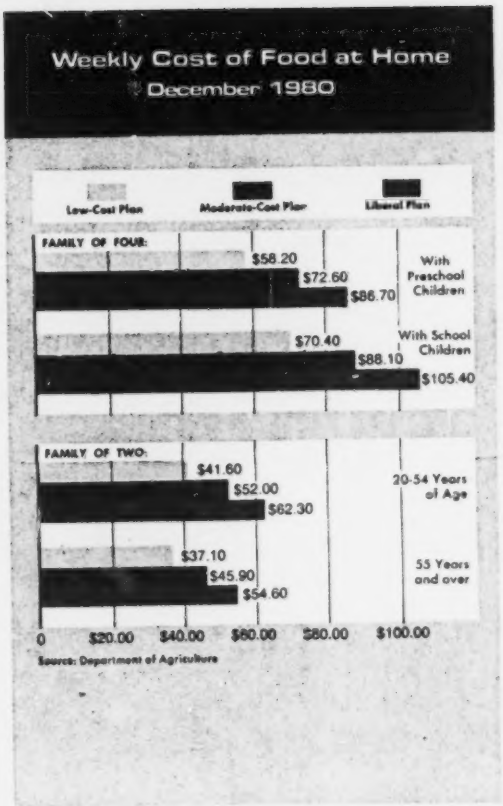
Producer Price Index for Finished Goods moved up 0.8% on seasonally adjusted basis from March to April, U.S. Department of Labor reported. Although considerably less than in March, it was about same as in both January and February. Prices for intermediate materials climbed 1.1% for fourth time in last 5 months. Crude material prices advanced 1.5%, after falling 1.3% in previous month.

1981 FINANCE FACTS YEARBOOK

The 1981 Edition of the FINANCE FACTS YEARBOOK is now available. Developed by NCFA's Research Services, the FINANCE FACTS YEARBOOK contains an evaluation of the consumer and his job, income, spending, money management, and credit management, as well as details on the consumer installment credit business.

Copies may be obtained by clipping this article and sending it, with $4.50 for NCFA members and $8.50 for non-members, to Central Order Desk, National Consumer Finance Association, 1000 16th Street, NW., Washington, DC 20036. Your name and mailing address should already appear on the opposite page.





COST OF FOOD AT HOME

Cost of similar market baskets of food at home rose 10.6% between December 1979 and December 1980. Examples of low-cost plan in December 1980 was $70.40 for food for one week for family of four with school children and $41.60 for family of two between 20 and 54 years of age, compared to $63.70 and $38.00, respectively, for December 1979.

Liberal plan for food at home for one week was estimated to cost family of four with children in school $105.40 and for family of two between 20 and 54 years of age $62.30.

FINANCIAL EXPECTATIONS

Faster-growing U.S. economy—marked by reduced inflation and lower interest rates—is shaping up for 1982, according to the Conference Board panel of 43 senior financial executives representing major nonfinancial corporations across the country. They look for real economic growth to climb from 1.7% in 1981 to 3.7% in 1982. Inflation (as measured by the GNP deflator) is expected to fall from 10.2% this year to 9.2% in 1982. With continued high interest rates, prime rate is expected to dip from average of 15.9% this year to 13.7% next year. Triple-A corporate bonds are expected to fall from average of 13% this year to 12.1% in 1982. Virtually all of these executives look for their use of bond issues to increase by 10 percentage points or more. Conference Board panelists expect Dow-Jones Industrial Average to average 978 this June and 1,075 in 1982.

EMPLOYMENT SITUATION

Unemployment rate in April at 7.3% was same as it was in February and March. Jobless rates for most of the major worker groups were 5.8% for adult men, 6.6% for adult women and 19.1% for teenagers.

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During April 1981, total installment credit outstanding increased by $2.7 billion—automobile credit increased $1.0 billion, revolving credit was up $0.5 billion, mobile home credit increased $0.1 billion and all other credit was up $1.1 billion.

Net change over month by institution was increase of $0.2 billion for commercial banks. Finance company outstandings increased $1.5 billion, made up mostly of automobile credit. Credit at retailers increased $0.3 billion, credit unions increased $0.2 billion, savings and loans were up $0.3 billion.

Net change in installment credit outstanding since end of April 1980 amounted to increase of $5.6 billion. Revolving credit increased $3.6 billion, mobile home credit $0.4 billion, automobile credit $1.0 billion and all other credit $0.5 billion.

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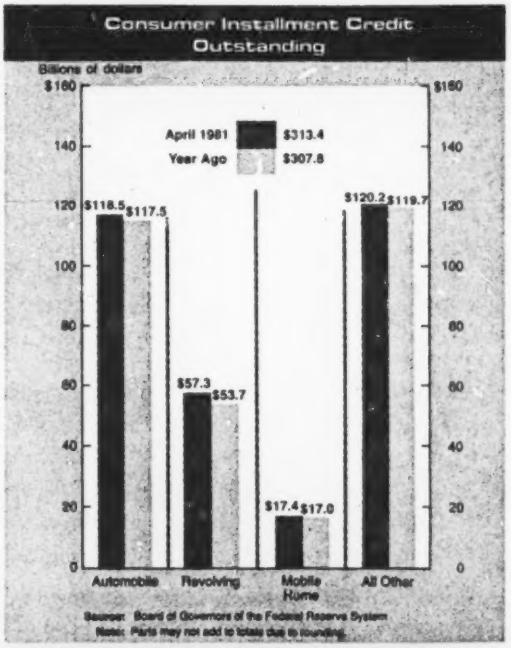
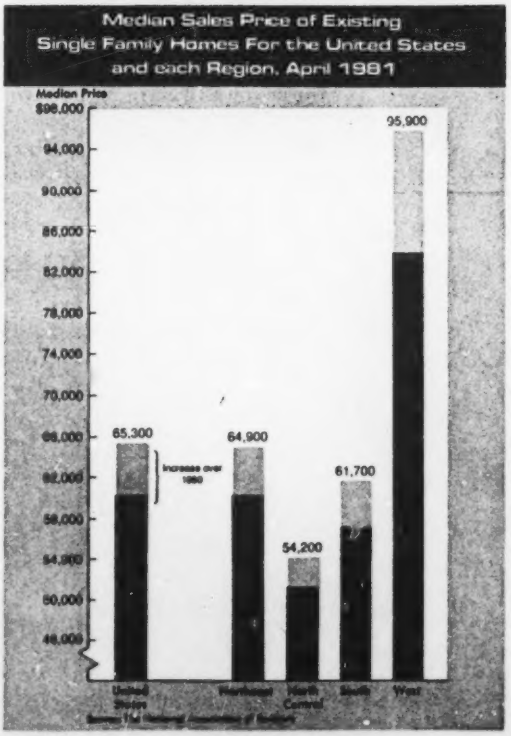


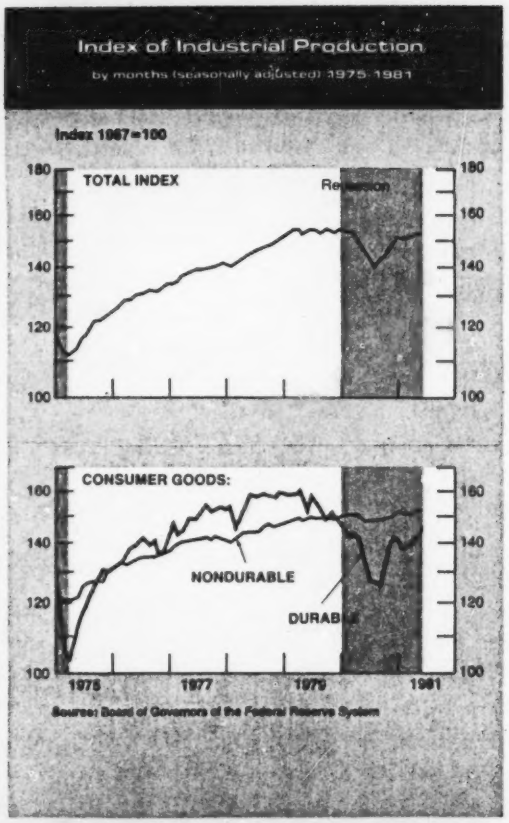


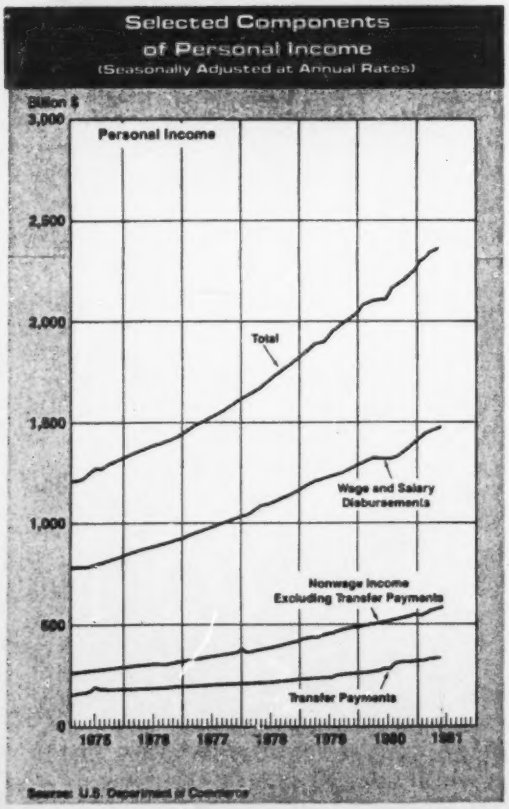
WAGE INCREASES IN 1980

Workers' pay continued upward at high rates in 1980, but consumer prices rose at an even greater rate according to U.S. Department of Labor. Prices as measured by Consumer Price Index rose 12.5% during 1980. Average hourly compensation (including supplementary benefits) rose 10.0% in 1980, highest since 1974. However, real hourly compensation, or compensation expressed in constant (1967) dollars, fell 2.2%.

EXISTING HOME SALES

Sales of existing single-family homes rose in April ending string of six consecutive months of generally declining activity the National Association of Retailors reported. Resale activity in April was at seasonally adjusted annual rate of 2,640,000 units up 6.0% from the preceding month. In April median sales prices of an existing single-family home increased by $900 to $65,300. Nationwide home prices are 8.1% above level year ago.





INDUSTRIAL PRODUCTION

Industrial production increased estimated 0.3% in May, following a downward revised 0.1% rise in April. The May increase was concentrated in production of motor vehicles and parts, but gains also occurred in output of equipment and of some materials. At 152.8% of 1967 average, industrial production in May was 6.1% above level year earlier and slightly below latest index high reached in March 1979.

Output of consumer goods advanced 0.5% in May, mainly due to a 7.5% rise in auto and utility vehicle production. Autos were assembled at an annual rate of 7.3 million units, up from a 6.8 million unit rate in April. Nondurable consumer goods output was about unchanged. Output of business and defense equipment continued to expand in May.

WORKING MOTHERS

In March 1980, 53% of all children under age 18 (30.7 million) had mothers who were either employed or looking for work Bureau of Labor Statistics reported. By early 1980, more than 17 million mothers of children under age 18 were in the work force, 44% more than in 1970. In past 10 years, number of children whose mothers were in labor force has grown by more than 5 million despite falling birth rate and reduction in total number of children in the population. Between 1970 and 1980, women entered labor force at pace averaging over 1 million net additions each year except for 1970-71. Greatest labor force gains were posted among women 25 to 34 years of age.

Substantial number of children are either wholly or partially dependent on their mothers' earnings for large share of their support. In March 1980, 1 of 4 children lived in families where the father was absent, unemployed, or out of the labor force. When the mother was in the labor force, median income in 1979 for families with children ranged from $18,500 for those in which the father was unemployed, to $15,400 for those in which the father was out of the labor force, and $10,100 for those in which the father was absent. Corresponding medians when the mother was not in the labor force were $12,000, $8,300 and $4,600.

PERSONAL INCOME

Personal income increased $13.7 billion in May to seasonally adjusted annual rate of $2,367.2 billion, according to U.S. Department of Commerce. In April, personal income increased $13.0 billion.

Wages and salaries and other labor income increased $7.1 billion in May. Nonfarm proprietors' income decreased $0.3 billion in May, farm proprietors' income increased $2.0 billion. Income from rent, dividends and interest increased $3.8 billion. Transfer payments increased $1.2 billion.

Personal outlays increased $12.3 billion in May, taxes up $3.7 billion. Saving decreased $2.2 billion. Purchases of durable goods increased $0.2 billion. Purchases of nondurable goods increased $3.8 billion, purchases of services increased $7.9 billion.

CONSUMER FINANCIAL BEHAVIOR

All indexes except personal saving were up in first quarter 1981. Largest percentage increases were registered by durable goods expenditures, up 12.6 points (6.3%) to 213.6 (1972 = 100) and consumer installment credit extended, up 13.3 points (6.3%) to 224.2. Personal saving, down 10.3 points (5.5%) to 175.3.

Personal income index increased 6.6 points (2.8%) in first quarter 1981. Personal taxes rose 9.0 points (3.5%), and disposable personal income rose 6.2 points (2.6%).

Installment credit repaid index rose in first quarter, up 6.7 points (3.0%) to 232.7, and continued above the credit extended index. Nondurable goods expenditures increased 7.3 points (3.1%) and expenditures on services rose 5.9 points (2.3%).

Indexes for first and fourth quarter 1980 and first quarter 1981 (indexes 1972 = 100) are shown in the following table:

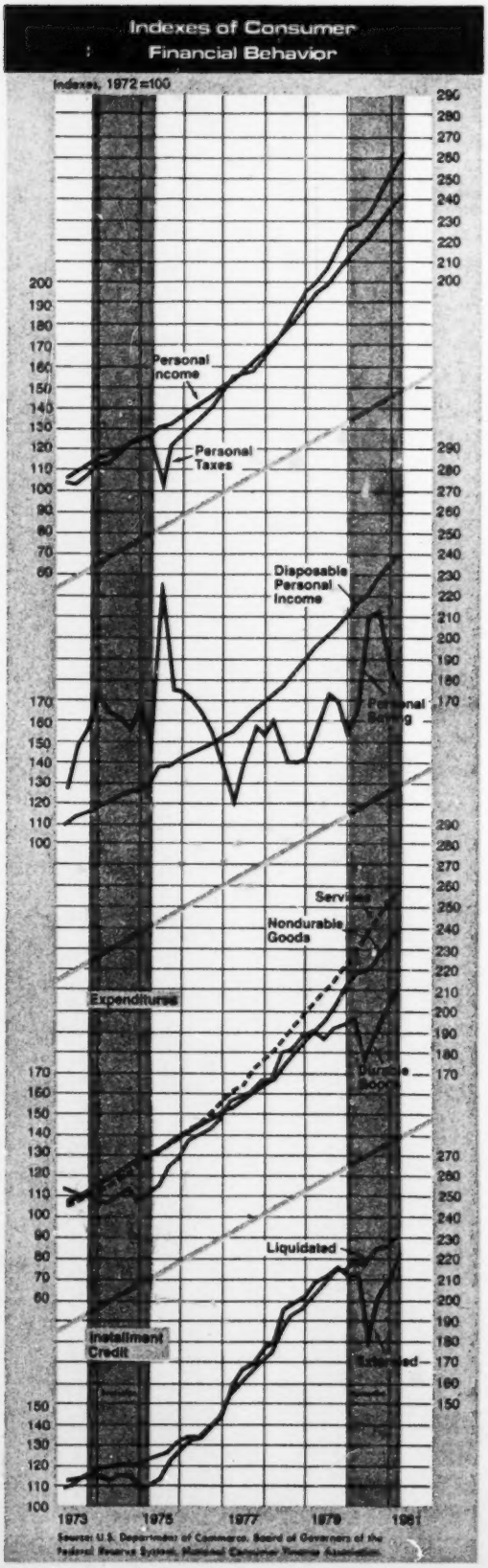
	1980		1981
	First Quarter	Fourth Quarter	First Quarter
Personal Income	219.5	237.1	243.7
Personal Taxes	229.1	254.8	263.8
Disposable Personal Income	217.8	234.1	240.3
Personal Saving	164.3	185.6	175.3
Durable Goods Expenditures	198.8	201.1	213.6
Nondurable Goods Expenditures	219.9	234.0	241.3
Expenditures on Services	230.2	253.4	259.3
Consumer Installment Credit Extended	213.2	210.9	224.2
Consumer Installment Credit Repaid	220.9	226.0	232.7

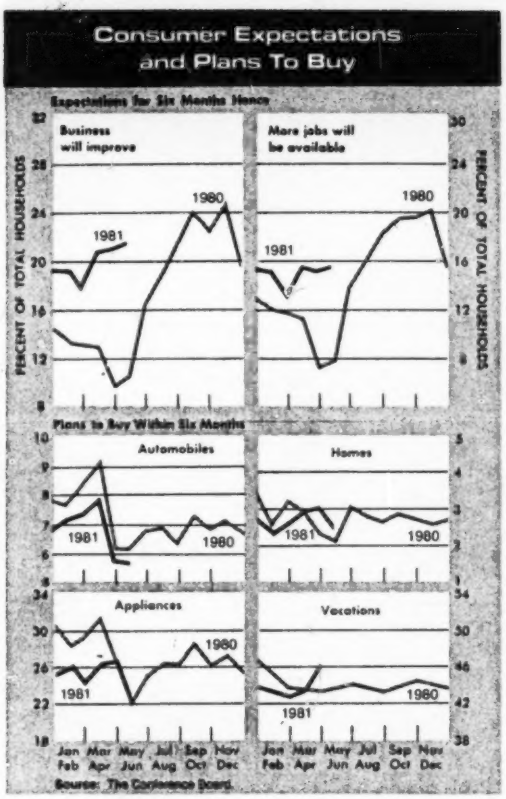
HELP-WANTED INDEX

The Help-Wanted Advertising Index declined in April for second consecutive month, The Conference Board reported. At 118 (1967 = 100), seasonally-adjusted Index dropped seven points below March reading of 125, sinking to lowest level since August 1980. In past 12 months Index edged up from 112 in May to 134 in November, the high point for the period, then fell steadily to current level of 118. The Help-Wanted Index measures the volume of classified advertising in 51 major newspapers across the nation. It is sensitive to changes in the demand for labor, as well as general business conditions.

SUMMER YOUTH LABOR FORCE

The 16-to-24-year-old labor force is expected to total 27.3 million this summer, slightly below level of last summer, according to Bureau of Labor Statistics. Small projected decline from last summer results from combination of slightly lower youth population and generally lower rates of labor force participation. Within 16-24-year total, moderate population growth among 20-to-24-year-olds will be outweighed by continued decline in number of 16-to-19-year-olds. It is expected that 16-to-24-year-old labor force will expand by about 3.6 million. Students entering the labor force for temporary summer jobs are expected to account for just over 2.2 million of total increase.





CONSUMER CONFIDENCE

Consumer confidence was up again for third consecutive month, but the gain in May was only marginal, The Conference Board reported. The Board's Confidence Index (1969-1970=100) reading is now 77.5, up two points over April. Buying plans have dropped significantly for second month in a row.

For next six months, more respondents than last time believe business conditions will improve. Fewer respondents expect their incomes to increase in the months ahead: 30.3% down from a previous 32.6%. Intentions to buy are soft. Plans to buy an automobile—new or used—are unchanged. Interest in homes is down to 2.3% from 3.0% in the preceding month. Plans to purchase a major appliance are also markedly weaker.

PRODUCER PRICE INDEXES

The Producer Price Index for Finished Goods moved up 0.4% on seasonally adjusted basis from April to May, the Bureau of Labor Statistics reported. This was only half as large as April advance and was smallest increase so far this year. Prices for intermediate materials rose 0.5%, much less than in most recent months. Crude material prices moved down 0.5%, following 1.5% advance in April and 1.3% drop in March.

EMPLOYMENT SITUATION

Unemployment rose in May, Bureau of Labor Statistics reported. Jobless rate in May, at 7.6%, was up from the 7.3% registered during prior 3 months. Number of unemployed workers rose by 425,000 on seasonally adjusted basis to 8.2 million in May. This increase followed 5 months of relative stability and returned rate to 1980 peak last recorded in October. Jobless rate increases were registered among most worker groups.

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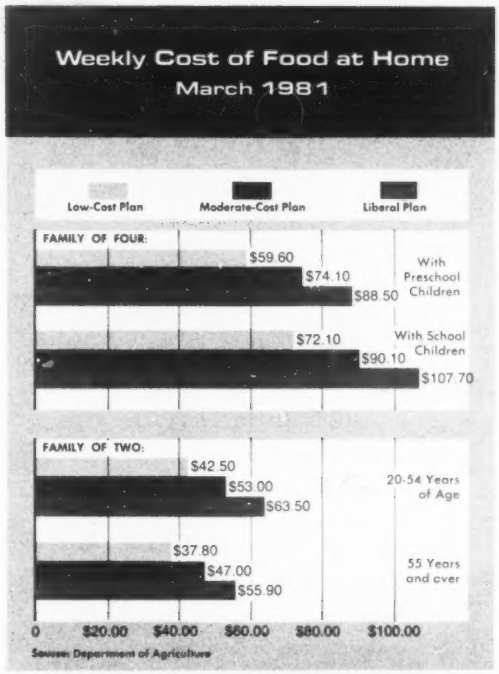
AUGUST 1981

COST OF FOOD AT HOME

Cost of similar market baskets of food at home rose 10.3% between March 1980 and March 1981. Examples of low-cost plan in March 1981 was $72.10 for food for one week for family of four with school children and $42.50 for family of two between 20 and 54 years of age, compared to $64.70 and $38.50, respectively, for March 1980.

Liberal plan for food at home for one week was estimated to cost family of four with children in school $107.70 and for family of two between 20 and 54 years of age $63.50.



MORTGAGE INTEREST RATES

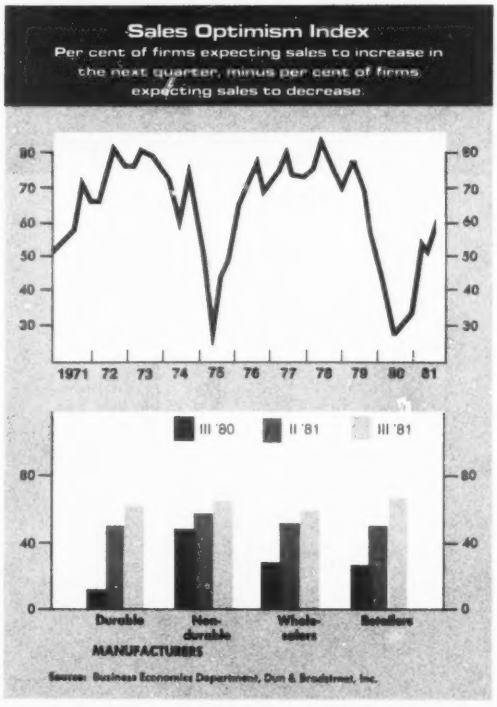
Another significant increase in conventional home mortgage commitment rates pushed rates up to alltime highs in early June the Federal Home Loan Bank Board reported. Latest increase of more than one-half of one percentage point about equalled rise during previous month. Further increase in mortgage rates reflected poor deposit experience and rise in cost of funds during May.

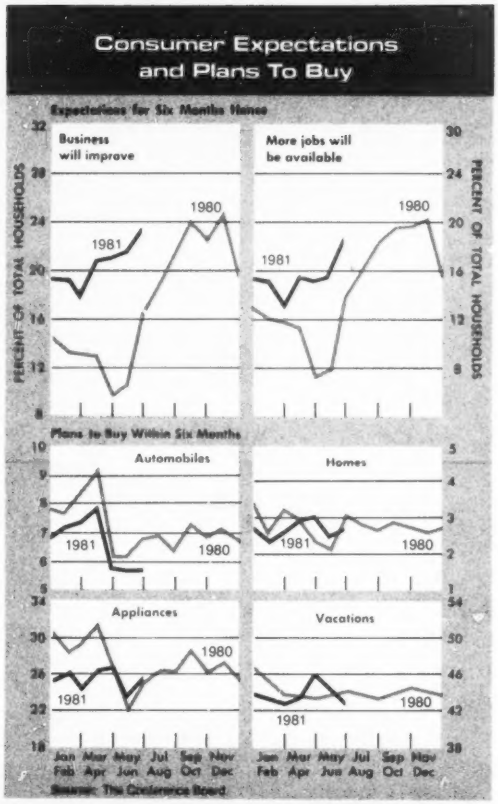
Average effective rate on loan transactions increased 32 basis points to 14.81% in early June. Year earlier, average was 13.14%, and at August 1980 low, 12.27%. In early June, average contract rate on loans closed was 14.32%, up 31 basis points over month. Initial fees and charges edged up 3 basis points to 2.32% of principal. Both average term to maturity and average loan-to-price ratio declined during month, former from 26.2 to 26.1 years and latter from 73.9% to 73.2%.

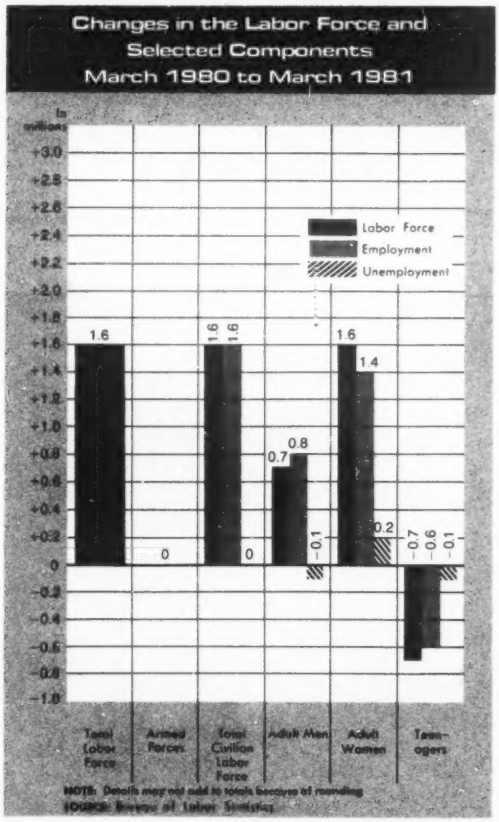
BUSINESSMEN'S EXPECTATIONS

Business optimism about both sales and profits has gained strength, according to Dun & Bradstreet's latest survey of business expectations. Some 1,413 executives were interviewed concerning their outlook for third quarter 1981. Their confidence about the upcoming three months climbed to highest level since second quarter 1980.

Sales Optimism Index (percentage expecting increases minus percentage expecting decreases) jumped 10 points to 61 after sliding down to 51 in preceding quarter. Retailers showed 16 point improvement. Profits Optimism Index for third quarter brightened almost as much as on sales and reached five-quarter high overall. Durable goods manufacturers hit an eight-quarter peak.







CONSUMER CONFIDENCE

The Conference Board's Consumer Confidence Index (1969-70=100) edged up to 80.2 in June from 78.0 in May. While this was fourth consecutive improvement, gains in past two months were modest. Buying plans were also up, offsetting about half of rather large loss recorded in May. All of the gain in June was accounted for by consumer's more optimistic view of the future, but assessment of ongoing conditions continues to be quite negative.

Intentions to buy are stronger than last time, but still running below year-ago levels. Of respondents, 5.7% said that they would purchase an automobile in next six months. Intentions to buy a home have edged up, to 2.7%, compared with a prior 2.4%. In major appliances, 25.7% said that they would make a purchase, up from 22.9%. Consumers who plan to take a vacation in the next six months was down to 42.4% compared with 45.6% in April.

CAPACITY UTILIZATION

Capacity utilization in manufacturing decreased in June to 79.6% from 80.1% in May. Prior to June decline, manufacturing utilization was essentially unchanged for six months. The June rate is 4.7 percentage points above July 1980 low of 74.9%, and 7.6 percentage points below the March 1979 high of 87.2%. Within manufacturing, declines in operating rates were widespread. The rate for primary processing industries dropped 0.5 percentage points to 80.2%, while the advanced processing industries rate fell 0.6 percentage point to 79.3%.

PRODUCER PRICE INDEX

The Producer Price Index for Finished Goods moved up 0.6% from May to June on seasonally adjusted basis, Bureau of Labor Statistics reported. June increase followed 0.4% rise in May and 0.8% advance in April. Prices for intermediate goods increased 0.3%, considerably less than in most recent months. Crude material prices, however, advanced 1.2%, after falling 0.5% in May. Before seasonal adjustment, Producer Price Index for Finished Goods moved up 0.4% to 269.9 (1967=100). Over the year, the Finished Goods Price Index rose 10.2%.

EMPLOYMENT SITUATION

Total employment and unemployment declined in June, after seasonal adjustment, Bureau of Labor Statistics reported. Following an increase in May to 7.6%, the jobless rate dropped back to 7.3% in June, level which had prevailed in February-April period. Total employment declined by 840,000 over the month to 98.4 million.

Jobless rate decreases in June were not pervasive but rather were concentrated among selected worker groups. Among men, sharpest drop occurred among 20-24 year-olds, reversing the increase they had experienced in May. Decline in unemployment for women occurred among those 25-54 years old, also countering an increase in the previous month. Jobless rates for full-time workers and for workers in trade dropped, also a return to their pre-May levels.

CONSUMER INSTALLMENT CREDIT

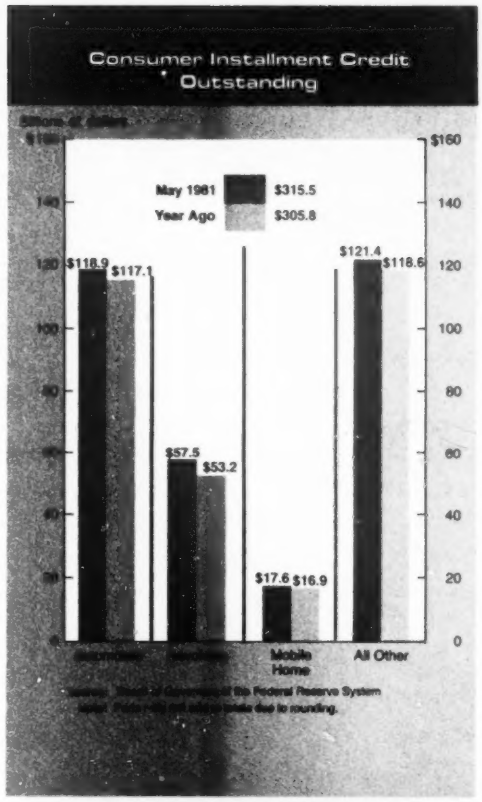
Total consumer installment credit at end May 1981 was $315.5 billion. Of this amount, $118.9 billion was outstanding in automobile credit, $57.5 billion in revolving credit, $17.6 billion in mobile home credit and $121.4 billion in all other credit (consisting of other consumer goods and personal loans).

During May 1981, total installment credit outstanding increased by $2.0 billion—automobile credit increased $0.5 billion, revolving credit was up $0.2 billion, mobile home credit increased $0.2 billion and all other credit was up $1.2 billion.

Net change over month by institution was increase of $0.1 billion for commercial banks. Finance company outstandings increased $0.8 billion, made up mostly of personal loans ($0.5 billion) and automobile credit ($0.2 billion). Credit at retailers increased $0.1 billion, credit unions increased $0.7 billion, savings and loans were up $0.4 billion.

Net change in installment credit outstanding since end of May 1980 amounted to increase of $9.7 billion. Revolving credit increased $4.3 billion, mobile home credit $0.7 billion, automobile credit $1.8 billion and all other credit $2.8 billion.

Over the year finance company increase was $9.7 billion, retailers $2.3 billion, savings and loans $2.4 billion, gasoline companies $1.2 billion, mutual savings banks $0.3 billion and credit unions $0.9 billion. Commercial bank outstandings decreased $7.1 billion.



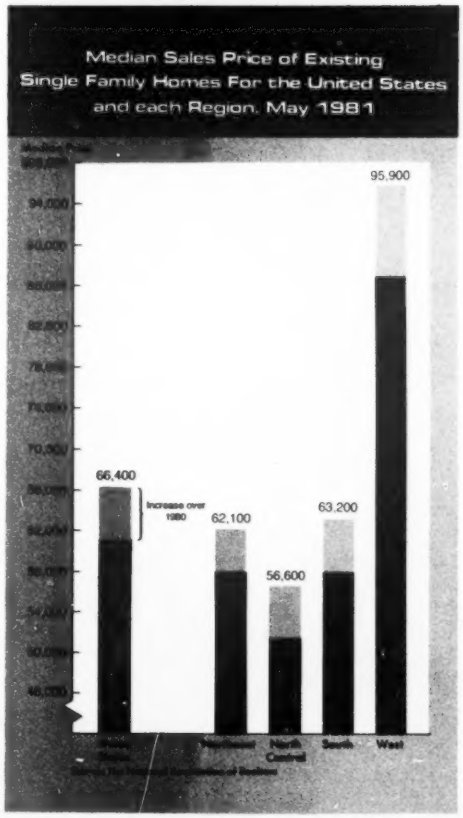
CORPORATE PROFITS—1980

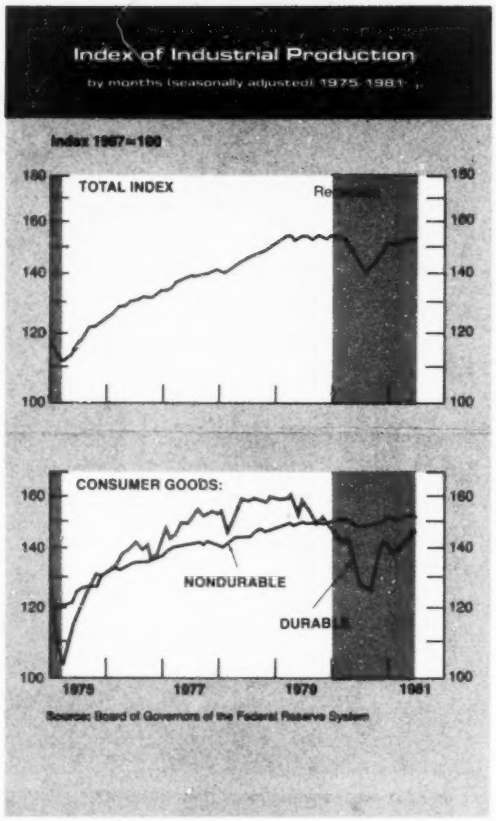
Recession and inflation were the two major forces influencing corporate profits in 1980, according to annual Citibank survey reported by The Conference Board. As reported to stockholders, after-tax profits of all corporations were up 2% in 1980 over 1979. In manufacturing, increase was less than 1%. Their sales were up 14% but margin on sales fell to 4.9%, from 5.6% in 1979.

Petroleum industry accounted for 43% of profits. For all other manufacturing, after-tax profits declined in the aggregate by 13%. This includes auto industry's loss of $4.5 billion in 1980. Without petroleum and autos, manufacturer's after-tax profits in 1980 were up 3% on increase of 10% in sales.

EXISTING HOME SALES

Sales of existing single-family homes slumped further in May to seasonally adjusted annual rate of 2,510,000 units. Monthly decline of 3.8% nearly wiped out increase recorded in April. Over first five months of 1980, annualized sales rate of existing homes has averaged 2,550,000. So far this year, each of four regions have turned in sales performances that have not been seen since 1975. In May, median sales price of existing home increased by $1,100 to reach $66,400. This is largest increase experienced so far this year. Nationwide home prices are 8.5% above same month year ago.





INDUSTRIAL PRODUCTION

Industrial production edged down 0.1% in June on seasonally adjusted basis as declines occurred in the output of construction supplies, home goods, and durable and nondurable materials. Utility output advanced strongly because of greater than seasonal surge in electricity generation. Output in manufacturing decreased perceptibly. At 152.7% of 1967 average, total index in June was 7.9% above a year earlier and 0.7% above January 1981 level.

Output of consumer goods declined 0.3% in June. Rise in auto production was more than offset by decreases in output of home goods such as appliances and nondurable consumer goods. Autos were assembled at an annual rate of 7.4 million units, 1.4% above May. Defense equipment production was essentially unchanged. Output of construction supplies was reduced 1.4%.

BUSINESS CONFIDENCE

The Conference Board's Measure of Business Confidence rose 3 points in second quarter, to 61 (on a scale of 0-100). Except for 63 in last year's fourth quarter, latest reading is highest since Spring 1977. Low was 29, a year ago. The Confidence Measure is based on responses from about 1500 chief executives of U.S. businesses of all types and sizes. Latest three quarterly scores of around 60 indicate that, on average, the respondents' assessments of conditions lie between "Same" and "Moderately Better." During past three quarters, score for general economic outlook has been stonger than that for outlook in respondents' own industries. In last year's third quarter, own-industry outlook scores were 60 for nonfinancial business overall and 59 for financial business. In second quarter of 1981, scores were 65 and 51, respectively. This divergence reflects relatively severe impact that high and variable interest rates have on financial businesses.

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